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TO THE VICTIMS OF:

RONALD E. FERGUSON, ELIZABETH A. MONARD, ROBERT D. GRAHAM, CHRISTOPHER P. GARAND, AND CHRISTIAN M. MILTON.

Case Number 2006R00302 and Court Docket Number: 06-CR-00137

FORMER GEN RE AND AIG EXECUTIVES FOUND GUILTY ON ALL COUNTS OF FRAUDULENT MANIPULATION SCHEME

A federal jury has found four former General Re Corporation (Gen Re) Executives and one former American International Group Inc. (AIG) executive guilty, following a five-week long trial, the Justice Department announced today. The Hartford, Conn., jury returned a verdict of guilty on all charges against all defendants contained in a 16-count superseding indictment stemming from a fraudulent scheme to manipulate AIG's financial statements.

Ronald E. Ferguson, 63, of Fairfield, Conn., Gen Re's chief executive officer from about 1987 through September 2001, was found guilty on charges of conspiracy, securities fraud, false statements to the SEC, and mail fraud.

Elizabeth Monrad, 51, of New Canaan, Conn., Gen Re's chief financial officer from about June 2000 through July 2003, was found guilty on charges of conspiracy, securities fraud, false statements to the SEC, and mail fraud.

Robert Graham, 58, of Westport, Conn., a Gen Re senior vice president and assistant general counsel employed by Gen Re from about 1986 through October 2005, was found guilty on charges of conspiracy, securities fraud, false statements to the SEC, and mail fraud.

Christopher P. Garand, 59, of Upper Saddle River, N.J., a Gen Re senior vice president and the head and chief underwriter of Gen Re's finite reinsurance operations in the United States from about 1994 until August 2005 and also a member of the Board of Directors of Cologne Re Dublin, a Gen Re entity, was found guilty on charges of conspiracy, securities fraud, false statements to the SEC, and mail fraud.

Christian Milton, 58, of Winnewood, Penn., AIG's vice president of reinsurance from about April 1982 until March 2005, was found guilty on charges of conspiracy, securities fraud, false statements to the SEC, and mail fraud.

At trial, the government presented evidence that the defendants engaged in a scheme to falsely inflate AIG's reported loss reserves, a key indicator of financial health to insurance industry analysts and investors. This fraud was effectuated through the use of two sham reinsurance transactions between subsidiaries of AIG and Gen Re in response to analysts' criticism of a \$59 million decrease in AIG's loss reserves for the third quarter of 2000. The two sham transactions increased AIG's loss reserves by \$250 million in the fourth quarter of 2000 and \$250 million in the first quarter of 2001, masking a declining trend in loss reserves in the face of premium growth. AIG

restated the transactions at issue in filings with the Securities and Exchange Commission in May of 2005. Evidence presented at trial established that when the investigation was disclosed to investors by AIG and through various media outlets between Feb. 14 and March 14, 2005, shares of AIG stock dropped from \$73.12 to \$61.92.

The government presented evidence at trial that showed that each of the defendants knew that the true purpose of the transactions was to permit AIG to falsely report increasing loss reserves in its statements to analysts and investors and its filings with the SEC. The defendants structured a sham reinsurance transaction and created a phony paper trail to make it appear as though Gen Re had solicited reinsurance from AIG when the evidence demonstrated that the parties knew AIG wanted the transaction to manipulate its financial statements. Additionally, the defendants entered into a secret side deal whereby AIG would never have to pay any losses under the contracts; AIG would return to Gen Re the \$10 million in premiums Gen Re paid to AIG and AIG paid Gen Re a \$5 million fee for entering into the transaction.

A restitution hearing for the defendant(s), Ronald E. Ferguson, Christian M. Milton, Elizabeth A. Monrad, Robert D. Graham, Christopher P. Garand, has been set for September 25, 2008, 10:00 AM at the Federal Courthouse, North Courtroom, 450 Main Street, Hartford, Connecticut before Judge Christopher F. Droney. You are welcome to attend this proceeding; however, unless you have received a subpoena, your attendance is not required by the Court. If you plan on attending, please check with this web page for any updates on the sentencing date and time.

The sentencing dates for all defendants will be scheduled sometime after the September 25th hearing. All defendants remain free on bond pending sentencing. Ferguson, Monrad, Milton and Graham each face a maximum term of imprisonment of 210 years in prison based upon their conviction on all counts and a fine of up to \$46 million. Garand faces a maximum term of imprisonment of 150 years and a fine of up to \$29.5 million.

